

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES  
INBOUND COMPETITIVE MULTI-SERVICE AGREEMENTS WITH  
FOREIGN POSTAL OPERATORS

HONGKONG POST – UNITED STATES POSTAL SERVICE  
BILATERAL AGREEMENT (MC2010-34)  
NEGOTIATED SERVICE AGREEMENT

Docket No.  
CP2015-91

**NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING MODIFICATION  
TWO TO THE HONGKONG POST – UNITED STATES POSTAL SERVICE  
BILATERAL AGREEMENT**  
(September 15, 2016)

The agreement that is the subject of this docket, a bilateral agreement (MC2010-34) between the United States Postal Service (“Postal Service”) and Hongkong Post (“Agreement”), was originally scheduled to expire on June 30, 2016.<sup>1</sup> On June 16, 2016, in the above-referenced docket, the Postal Regulatory Commission (“Commission”) granted the request of the Postal Service to extend the expiration date of the Agreement until September 30, 2016, in accordance with a Modification One to the Agreement.<sup>2</sup> The Postal Service hereby gives notice that the Postal Service and Hongkong Post recently executed a Modification Two, which would extend the expiration date of the Agreement to December 31, 2016, absent earlier termination by the parties. A copy of the signed Modification Two is attached as Attachment 1.

<sup>1</sup> United States Postal Service Response to Order No. 2578 Concerning Effective Date of an Inbound Competitive Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. CP2015-91, July 14, 2015.

<sup>2</sup> PRC Order No. 3375, Order Approving Modification One to an Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. CP2015-91, June 16, 2016.

Supporting documentation, which incorporates the financial data relevant to the modification and establishes compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5, is being filed separately under seal with the Commission. A certified statement concerning the Agreement, as required by 39 C.F.R. § 3015.5(c)(2), is included with this filing as Attachment 2. A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

With respect to the non-public version of the supporting financial documentation that is filed under seal, the Postal Service hereby incorporates its Application for Non-Public Treatment filed in conjunction with its June 30, 2015 notice in this docket.<sup>3</sup>

Accordingly, the Postal Service respectfully requests that the Commission approve the Modification Two and continue to list the Hongkong Post Agreement on the Mail Classification Schedule, but with a new expiration date of December 31, 2016.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
By its attorneys:

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September 15, 2016

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<sup>3</sup> Notice of United States Postal Service of Filing Functionally Equivalent Inbound Competitive Multi-Service Agreement with a Foreign Postal Operator, Docket No. CP2015-91, June 30, 2015, Att. 4.

**MODIFICATION TWO TO THE  
HONGKONG POST - UNITED STATES POSTAL SERVICE  
AIR PARCEL AND EMS BILATERAL AGREEMENT**

This Modification amends the Hongkong Post – United States Postal Service Air Parcel and EMS Bilateral Agreement ("Agreement") between the United States Postal Service ("USPS"), an independent establishment of the Executive Branch of the Government of the United States, with offices at 475 L'Enfant Plaza SW, Washington, DC 20260, and Hongkong Post ("Hongkong Post"), a government branch of the Hong Kong Special Administrative Region of People's Republic of China, having a place of business at 4/F Hongkong Post Headquarters 2 Connaught Place, Central, Hong Kong, signed by the USPS and Hongkong Post on June 25, 2015, as amended by Modification One, signed by the USPS and Hongkong Post on June 14, 2016. The USPS and Hongkong Post may be referred to individually as a "Party" and together as the "Parties."

The Modification replaces the third sentence in paragraph 2 of Article 22 of the Agreement with the following replacement text:

The Agreement will remain in effect until December 31, 2016, unless terminated sooner pursuant to Article 8.

All other terms and conditions of the Agreement shall remain in force.

The Parties acknowledge and understand that all obligations of the USPS under this Modification shall be contingent on the USPS receiving approvals from, and/or non-objection by (hereinafter "Conditions Precedent for this Modification") one or more internal and external bodies that have oversight responsibilities. Conditions Precedent for this Modification may include but are not limited to: approvals or, if applicable, non-objection, from USPS management, the USPS executive committee, the Governors of the USPS, and the U.S. Postal Regulatory Commission. The Parties acknowledge that this Modification might not be approved by such bodies. Until such time that all Conditions Precedent for this Modification are fulfilled that are necessary to provide the products or services contemplated under this Modification, no obligation shall exist for the USPS or Hongkong Post and no benefit or rights granted through this Modification shall inure to either Party unless and until the Conditions Precedent for this Modification have been fulfilled.

In the event that the Conditions Precedent for this Modification are not fulfilled, the USPS and Hongkong Post shall have no liability, which shall include no obligation to pay costs associated with any action taken by Hongkong Post prior to the fulfillment of Conditions Precedent for this Modification. Further, in the event of the failure of any Condition Precedent for this Modification, neither Party shall be held liable for any damages including, without limitation, the following: actual damages; special damages; indirect damages; incidental damages; punitive damages; consequential damages; or any other damages, which shall include but not be limited to damages for loss of business profits; business interruption; any other loss; and/or any cost incurred by either Party attributable to such non-approval such as attorney's fees.

Hongkong Post acknowledges that as part of securing approval of this Agreement and in other subsequent regulatory filings, this Modification and supporting documentation will be filed with the U.S. Postal Regulatory Commission ("Commission") in a docketed proceeding (CP2015-91). Hongkong Post also acknowledges that the USPS shall furnish a copy of this Modification to the U.S. Department of State. Hongkong Post authorizes the USPS to determine the scope of information that must be made publicly available in any Commission docketed proceeding in which information related to this Modification must be filed. Hongkong Post further understands that any unredacted portion of this Modification or supporting information may be posted on the Commission's public website, <http://www.prc.gov>. In addition, the USPS may be required to file information in connection with this Agreement (including revenue, cost, or volume data) in other Commission dockets including the Commission docket number for the Annual Compliance Report (ACR) for the USPS fiscal year(s) in which

this Agreement is in effect. Each ACR docket has a distinct docket number, such as ACR201#, in which "201#" signifies the USPS fiscal year to which the ACR pertains. Hongkong Post has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. The procedure for making an application to the Commission for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22, on the Commission's website, <http://www.prc.gov/Docs/63/63467/Order225.pdf>. At Hongkong Post's request, the USPS will notify Hongkong Post of the docket number of the Commission proceeding, if any, used in connection with the filing of this Modification.

The Parties may execute this Modification in one or more counterparts (including by facsimile or by electronic means such as .pdf format). Not all Parties need be signatories to the same document. All counterpart signed documents shall be deemed an original and one instrument.

IN WITNESS WHEREOF, the Parties agree to be bound as of the latest date of signature to the terms and conditions of this Modification.

HONGKONG POST

Signature

DIRECTOR, EXTERNAL AFFAIR

Title

12-9-2016  
Date



UNITED STATES POSTAL SERVICE

Signature

(A) VP Global Business

Title

SEP-14-2016  
Date



**Certification of Prices for the Inbound Competitive Multi-Service Agreement with  
Hongkong Post**

I, Steven Phelps, Manager of Regulatory Reporting and Cost Analysis, Finance Department, am familiar with the prices for the Inbound Competitive Multi-Service Agreement with Hongkong Post. The prices contained in this agreement were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, issued August 6, 2010 (Governors' Decision No. 10-3).

I hereby certify that the cost coverage for the agreement with Hongkong Post has been appropriately determined and represents the best available information. The prices are in compliance with 39 U.S.C. § 3633(a)(1), (2), and (3). The prices demonstrate that the agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from this agreement is smaller. The agreement with Hongkong Post should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

  
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Steven Phelps